Kraftco Corporation

1970 Annual Report

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

VITAMIN D
MILK
CREAMED
COTTAGE
CHEESE
America's Favorite
KRAFT
Miracle
Whip
Salad Dressing

Financial Highlights

	1970	1969
Sales	**$2,751,129,000**	$2,580,905,000
Earnings	**$ 82,006,000**	$ 75,625,000
Per Share	**$2.93***	$2.69
Per Dollar of Sales	**2.98%**	2.93%
Federal and Foreign Taxes on Income	**$ 81,331,000**	$ 80,721,000
Per Share	**$2.90**	$2.87
Dividends to Stockholders	**$ 47,507,000**	$ 47,077,000
Per Share	**$1.70**	$1.675
Capital Expenditures	**$ 75,526,000**	$ 56,511,000
Depreciation	**$ 42,029,000**	$ 42,305,000
Working Capital	**$ 358,429,000**	$ 325,859,000
Stockholders' Equity	**$ 685,055,000**	$ 649,119,000
Number of Stockholders	**71,538**	71,584

*$2.92 in 1970, assuming full conversion of the 7½% Convertible Bearer Bonds.

Financial Review and Statements begin on page 7.

Contents

Financial Highlights...1

Letter to Stockholders...2

Operations Review...5

Business and Changing Demands...6

1970 Financial Review...7

Auditors' Report...11

Consolidated Balance Sheets...12

Consolidated Statements of Income...14

Consolidated Statements of Retained Earnings...14

Consolidated Statements of Source and Application of Funds...15

Notes to Consolidated Financial Statements...15

International Subsidiaries Other than Canadian—
Statements of Income...17
Statements of Financial Position...17

Ten Year Summary...18

Board of Directors and Officers...20

Principal Divisions and Operations...23

Annual Meeting

Stockholders of Kraftco Corporation are cordially invited to attend our Annual Meeting which will take place on Thursday, April 15, 1971, at 11 a.m. at The Fairmont Hotel in Dallas, Texas.

To Our Stockholders:

The year 1970 was another productive one for Kraftco, with records made in both sales and earnings.

Sales for the year were $2,751,129,000, an increase of $170,224,000, or 6.6% over 1969, the previous high, and reflected both higher prices and a new record in volume of products sold.

Earnings after taxes reached a new high of $82,006,000, $6,381,000 or 8.4% above 1969. Earnings before Federal and foreign taxes on income were $163,337,000, up $6,991,000 or 4.5% over last year. Further details of the results of our operations for the year appear later in this report.

The Board of Directors approved management's recommendation to relocate Kraftco's world corporate headquarters in the Chicago suburb of Glenview, Illinois. Construction of the new Corporate Administrative Center began in December, 1970. It is scheduled for occupancy in 1972.

The new Corporate Administrative Center will direct and coordinate the worldwide research, financial, legal, data processing, long-range planning and other corporate functions of the Company.

In seeking a location for the new Corporate Administrative Center, our aim is to make the most effective use of our organizational structure and management resources. After careful study, it was concluded that a Chicago area location would better serve the current requirements and longer-term needs of the Corporation.

In November the formation of a Packaging and Industrial Division was announced. It comprises HumKo Products, Metro Glass, and the Sheffield Chemical operation of the Sealtest Foods Division. B. H. Prentice, Jr., a former Vice President of our Kraft Foods Division, was named its President and elected a Vice President of the Corporation. This organization change was made to improve the efficiency and development of this part of our business.

There were several other management changes during the year. In April, 1970, Mr. W. E. Nuessle, who had been Vice President and General Counsel of the Corporation, was elected Senior Vice President. At the end of January, 1971, Mr. Nuessle retired in accordance with the Company's policy on tenure and retirement. He remains a Director until the 1971 Stockholders' Meeting. Mr. Nuessle served the Corporation for 36 years. We extend to him our gratitude for his dedication and the tremendous contribution he made to the Company's growth and success.

Elected to succeed Mr. Nuessle as Vice President and General Counsel was Mr. John M. Richman, who was in our legal department for several years and recently had been Assistant General Counsel.

Two members of the Board of Directors retired on April 16th, 1970 in accordance with Company policy on tenure. They were Mr. David L. Luke and Mr. Philip D. Reed. Mr. Luke, who had been Chairman of Westvaco Corporation, joined our Board in 1957. Mr. Reed, retired Chairman of General Electric Co., joined the Company's Board in 1958. Both were most effective in helping set policies of the Company. We are most appreciative of their leadership, and the many important contributions they made to the success of our Company.

After 15 years of service, Mr. R. L. Talbot, who was Financial Vice President and a Director of the Company, resigned to pursue other interests.

Two new members of the Board were elected during the year. Mr. John J. Powers, Jr., Chairman of the Board and President of Pfizer Inc., was elected a Director at the 1970 Stockholders' Meeting. Mr. John F. McGillicuddy, President of Manufacturers Hanover Corporation and of Manufacturers Hanover Trust Company, was elected a Director on November 5, 1970, filling the vacancy created by Mr. Talbot's resignation.

The success of our Company in 1970 was made possible by the efforts of our 48,000 employees throughout the world. We express our thanks to them for their exceptional performance. We also extend our sincere gratitude to the Board of Directors for their guidance, to our stockholders for their continued support, and to our customers, suppliers and producers for their cooperation.

We are now some weeks into fiscal 1971 and look forward to continued growth and success. We believe we can continue to successfully meet the challenges before us, and continue to serve consumers with a growing number of high-quality, nutritious products.

Gorton Edwards
Chairman of the Board

William O. Beers
President

February 26, 1971

Operations Review

A key factor in the growth of Kraftco Corporation into one of the world's principal food processing firms has been the continuous program of product innovation.

This was carried forward in 1970 with scores of new items introduced into our many worldwide markets. Included were cheese products, dinners, confections, and salad products from Kraft; Sour Cream Dips and Yogurt from Breakstone; fruit juices from Sealtest; ice cream novelties from Breyers; and specialty chemical products from HumKo. New and improved products were introduced in the United States and in Canada, Germany, Spain, Italy, United Kingdom, Venezuela and Australia.

In the U.S. new markets were opened for Kraftco products, and the full range of "Light n' Lively" products from Sealtest is now available in virtually all of Sealtest's marketing areas. Breyers high quality ice cream, long a favorite in the Northeast, was introduced in Georgia and Florida.

1970 saw continuing changes and improvements in operations of our milk and ice cream business. In a number of areas, such as New York; Washington, D.C.; Wheeling, West Virginia, and Atlanta, Georgia, plants were closed but customers continue to be served from nearby Sealtest plants. Sealtest's Kansas City plant was sold to another processor who will produce Sealtest products which will continue to be distributed in that area by Sealtest. In Buffalo, N.Y., a local dairy cooperative was licensed to produce Sealtest products according to Sealtest formulas and specifications.

During the year, construction was started on a modern frozen food plant in Mattoon, Illinois. When completed in 1971, this plant will manufacture a full line of quality frozen food products for Kraft distribution throughout the U.S.

These and many similar activities in product innovation and market expansion designed to serve the growing demands of consumers, institutional and industrial markets, compose part of the foundation for the future growth of Kraftco.

Business and Changing Demands

> **"Recognition of the quality of our environment has produced worldwide concern. As a multi-national business with 48,000 employees dependent upon the environment, we share that concern.**
>
> **"As a food processor, Kraftco is a link between the land and the consumer . . . needing the bounty of the former to fulfill the nutritional needs of the latter. We are committed to the continued well-being of both."**
>
> **Gordon Edwards**

For many years business success and achievement have been measured by the marketing of technologically superior products. In Kraftco's case, this has meant the production of nutritious, high quality foods—protectively packaged and increasingly convenient to use. It has also meant a continuous effort to communicate good food ideas through advertising and school nutrition education programs—and through service suggestions sent last year to over 800,000 homemakers who have written in for recipes.

In the 70's we are faced with new demands, new questions and new challenges—with serious social and ecological consequences.

The condition of our environment is one of the most urgent matters confronting the nation today. The gravity of this situation is every citizen's concern. And it is each individual's responsibility to work toward creating a better environment to insure a more satisfactory quality of life.

Although the pollution problems of the food industry are less severe than those faced by many other industries, nevertheless our Company is deeply aware of the necessity for a viable program of environmental control.

This problem is not new to Kraftco. As a major food processor, we have been successfully dealing with it for years. Concern for environmental quality led to the strengthening of our technical resources in our Research and Development Division to provide advice and assistance in these areas to the total Corporation, and thus prevent adverse environmental conditions. In addition to our long-standing program of working with municipalities, some of the more recent examples of things we have done are the use of low-sulphur fuels to reduce air pollution, new reclamation programs of cheese manufacturing by-products, installation of improved wastewater treatment systems and use of alternative systems of waste disposal that protect the local environment.

During the early years of the Company's efforts, our activities entailed improving farm sanitation, reducing animal disease and generally upgrading quality on the farm. In the field of waste treatment, Kraftco (then National Dairy) was a pioneer in the dairy industry in the use of activated sludge, trickling filters, lagoons and spray irrigation waste control methods.

In the 1930's, Dr. Henning Trebler, a skilled scientist on the staff of the National Dairy Research Laboratory, conceived, designed and built a device capable of obtaining samples of effluent over a continuous length of time to obtain an accurate test. Called the Trebler Sampler, it is still in use today.

Concern with pollution control led the Corporation to develop, design and build modern waste treatment facilities for its plants, such as the series of lagoons in Lakeland, Florida, which handle wastes from a Kraft Foods plant with excellent results. They have become a model of successful waste treatment in the citrus industry.

The recycling of wastes and containers offers opportunities for significant contribution to improving our environment and reducing demands upon natural resources. Kraftco's Metro Glass Division, which manufactures many kinds of glass containers, is experimenting with the operation of glass reclamation centers in an attempt to prevent glass from littering. Metro reclaims old glass bottles from the public and the old bottles are used as cullet to make new glass containers. To date, over three million pounds of glass have been collected and recycled by Metro.

Environmental control is everyone's job and what each one of us does will determine the quality of our environment. You can be sure that we will be encouraging all activities aimed at improving it, both as managers of this Company and as individuals.

1970 Financial Review

Sales

Kraftco's 1970 sales were at an all-time high of $2,751,129,000, up $170,224,000 or 6.6% over the previous record high set in 1969. These results came from both higher prices and a record volume of products sold. Sales outside the United States and Canada were $320,348,000, an increase of $46,722,000, or 17.1% over 1969.

Worldwide sales of Manufactured Dairy Products and Processed Food Products increased 10.5% and 11.8%, respectively. They continue to represent the largest portion of our sales, accounting for 40.7% and 35.1% of the total. This is in keeping with the long-term trend in our sales mix toward processed packaged convenience foods. Sales of Fluid Milk Products declined 9.4%, amounting to 15.5%; sales of Ice Cream and Frozen Desserts declined 1.9%, accounting for 6.0%. These decreases were attributable to the phasing out of certain operations and the elimination of some unprofitable sales. Other Products sales increased 13.5%, contributing 2.7% of total sales.

Earnings and Dividends

Consolidated net earnings were a record $82,006,000, an increase of $6,381,000 or 8.4% over 1969, and 7.7% over the previous high established in 1968. Earnings per share were $2.93, up 24¢ from the 1969 level of $2.69. Included in this increase is approximately 11¢ representing the net effect of the reduction in the Federal tax surcharge in 1970, partially offset by increases in other taxes. Assuming full conversion of the bonds recently issued in Europe (as explained on page 9) earnings per share for the year would be $2.92.

Consolidated earnings before Federal and foreign taxes on income in 1970 were $163,337,000, an increase of $6,991,000, or 4.5% over 1969. These were the highest pre-tax earnings in the history of the Company.

In the U.S., our milk and ice cream business increased its pre-tax profits, contributing almost 6% to Kraftco's total pre-tax profit in 1970, compared to less than 4% a year ago. The higher earnings resulted from a reduction in certain operating expenses, a shifting emphasis in the product mix to quality branded items and better margins.

In the international areas of our business (outside of the United States and Canada), we had an increase in pre-tax profits of 2.6% over 1969. Operations in the United Kingdom showed some improvement. During the year we continued our program of investing for future growth in Italy and Venezuela.

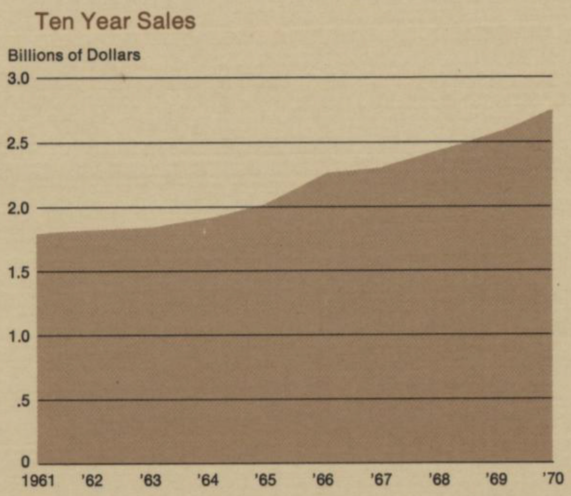
Excluding U.S. milk and ice cream and international operations, the balance of Kraftco's business increased pre-tax profits 2.2% over 1969. Price increases only partially offset increasing costs, which resulted from rising commodity prices and operating expenses.

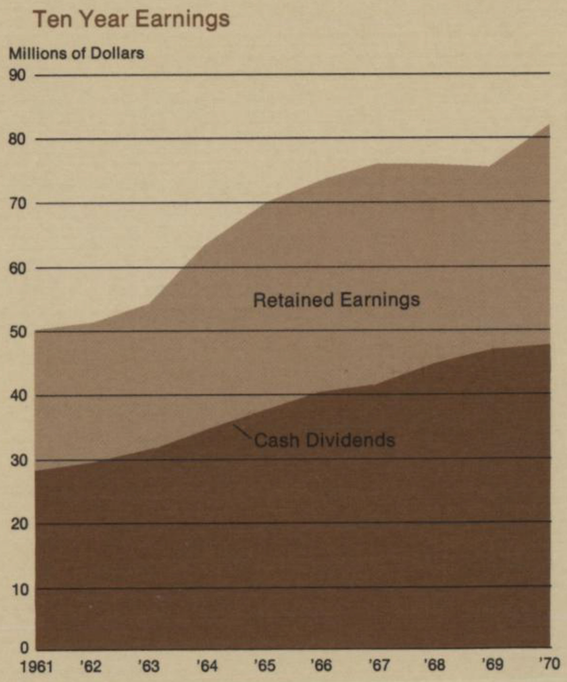
Total 1970 Federal and foreign taxes on income were $81,331,000, up $610,000 over 1969. On a per share basis, 1970 taxes on income were $2.90, compared to $2.87 in 1969.

Total taxes in 1970 on earnings, real estate, equipment, inventories and payrolls were $118,438,000, or $4.23 per share, compared with $114,096,000, or $4.06 per share in 1969.

The cost of our products, including raw materials, packaging and processing expenses was 76.5% of sales in 1970 compared with 76.4% in 1969. Delivery, selling and administrative expenses were 17.6% of sales in both 1970 and 1969. Included in this amount is the cost of advertising, which was 2.6% of sales in 1970, compared with 2.7% in 1969.

Dividends to stockholders during 1970 totaled $47,507,000, an increase of $430,000 over 1969. Dividends per share for the year were $1.70, compared with $1.67½ in 1969.





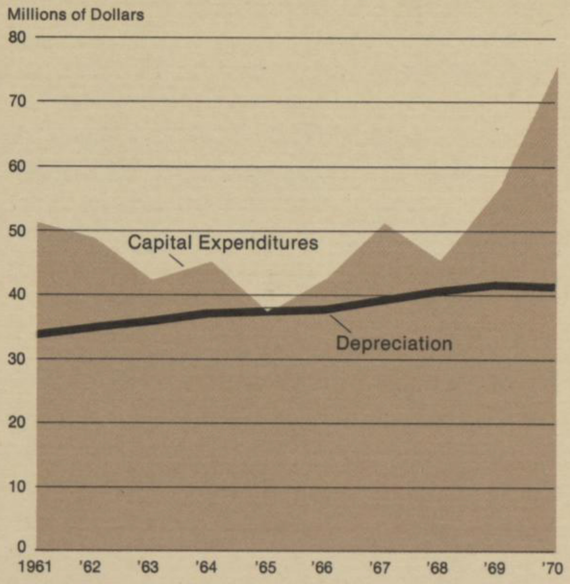
International Financing

During 1970, Kraftco International Capital Corporation, a wholly-owned subsidiary of Kraftco, issued convertible bonds in Europe in the amount of 100,000,000 Deutsche Marks (approximately U.S. $27.3 million), which mature in 1985 and are guaranteed by Kraftco. Each of the DM 1,000 bonds is convertible, beginning May 1, 1971, into 6.49 shares of Kraftco common stock.

1970 Stock Option Plan

On April 16, 1970, the stockholders approved the 1970 Stock Option Plan and reserved 500,000 shares of common stock for options which may be granted prior to April 17, 1975. In June, 1970, options to purchase 166,950 shares at $33.50 per share were granted under this Plan to 1,134 employees.

Ten Year Capital Expenditures and Depreciation



Ten Year Sales by Class of Products

as a percent of total net sales

	Manufactured Dairy Products	Processed Food Products	Fluid Milk Products	Ice Cream & Frozen Desserts	Other Products
1970	40.7%	35.1%	15.5%	6.0%	2.7%
1969	39.3	33.4	18.2	6.5	2.6
1968	38.1	33.2	19.4	7.1	2.2
1967	38.4	32.5	19.7	7.3	2.1
1966	38.4	32.2	19.6	7.7	2.1
1965	37.4	31.9	20.0	8.5	2.2
1964	37.1	30.8	21.1	8.9	2.1
1963	36.7	29.9	22.1	9.3	2.0
1962	36.7	29.5	22.6	9.2	2.0
1961	36.9	28.2	23.1	9.8	2.0

Capital Expenditures

During 1970 the Company made record high capital expenditures of $75,526,000 for the expansion, replacement and modernization of manufacturing and distribution facilities. The 1970 expenditures are $19,015,000 higher than the previous high set in 1969. Capital expenditures for 1971 are expected to approximate $100,000,000.

The level of capital expenditures in 1970 reflects the need for greater plant capacity to meet increased demand for our new products as well as our established lines. Among the major projects included in the expenditures last year were the cheese products plant in Lowville, New York; the cheese and paste products plant in Champaign, Illinois; and the project near Allentown, Pa., which will provide a distribution center and a plant for processed and natural cheese products and oil products. Also included is the previously mentioned frozen foods plant in Mattoon, Illinois.

Depreciation charges in 1970 were $42,029,000; estimated depreciation charges for 1971 are $43,000,000.

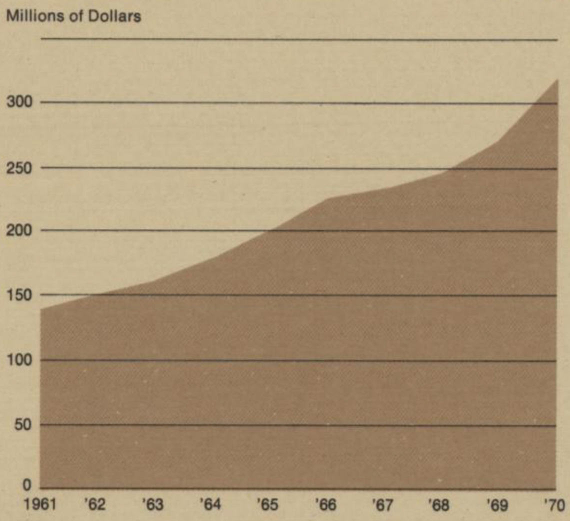
Legal Matters

A number of treble damage suits are pending against the Company in different jurisdictions in the United States based on alleged violations of the antitrust laws. Management is of the opinion that recoveries, if any, under these suits will not be of material significance to the Company's financial position or operations.

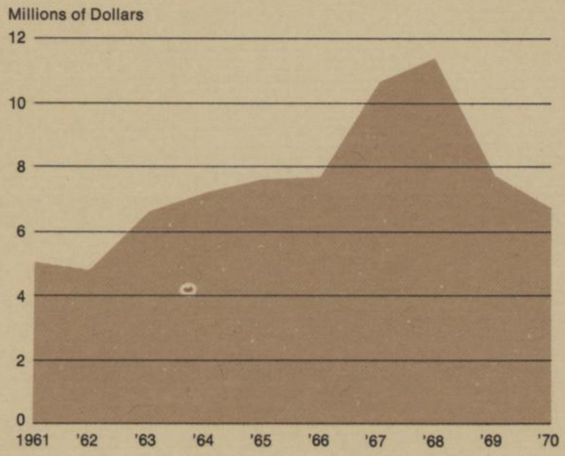
The December 1967 indictments of members of the New York City milk industry, in which the Company and one of its officers are included as defendants, are still pending in a New York State court.

The Company is also a defendant in actions of a character usual for companies operating similar businesses. In addition, information has been requested from the Company in connection with several investigations being conducted by governmental agencies. See also the comments on Contingent Liabilities in the Notes to Consolidated Financial Statements on page 15.

Ten Year International Sales (Excl. Canada)



Ten Year International Earnings (Excl. Canada)



Financial Statements

Auditors' Report

To the Board of Directors and Stockholders
of Kraftco Corporation:

We have examined the consolidated balance sheets of Kraftco Corporation (a Delaware corporation) and Subsidiaries as of December 26, 1970 and December 27, 1969 and the related consolidated statements of income, retained earnings and source and application of funds for the years then ended. We have also examined the statements of financial position and income of International Subsidiaries other than Canadian. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Kraftco Corporation and Subsidiaries as of December 26, 1970 and December 27, 1969, and the results of their operations and source and application of funds for the years then ended, and the accompanying financial statements of International Subsidiaries other than Canadian present fairly the financial position and results of operations of such Subsidiaries, all in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co

New York, N.Y.,
February 19, 1971.

Consolidated Balance Sheets

Assets

	December 26, 1970	December 27, 1969
Current Assets:		
Cash and temporary investments	**$ 51,653,266**	$ 55,510,834
Notes and accounts receivable, less allowance for losses ($5,747,633 in 1970 and $5,753,025 in 1969)	**184,772,334**	178,573,157
Inventories, at lower of average cost or market—		
Products and materials	**333,471,715**	314,176,822
Supplies	**29,558,455**	26,906,478
Total current assets	**$ 599,455,770**	$575,167,291
Property, Plant & Equipment, at cost:		
Land	**$ 26,421,473**	$ 22,026,637
Buildings	**275,985,783**	252,846,000
Machinery and equipment	**479,620,859**	469,639,124
	$ 782,028,115	$744,511,761
Less—Accumulated depreciation (See note)	**392,990,777**	384,612,319
	$ 389,037,338	$359,899,442
Other Assets:		
Miscellaneous investments and receivables	**$ 10,161,964**	$ 11,394,749
Prepaid and deferred items	**5,505,255**	4,796,990
Intangibles (See note)	**27,204,918**	26,425,771
	$ 42,872,137	$ 42,617,510
	$1,031,365,245	$977,684,243

(See Notes to Consolidated Financial Statements, pages 15 and 16.)

Liabilities and Stockholders' Equity

	December 26, 1970	December 27, 1969
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 192,556,883**	$172,607,183
Short-term loans of International Subsidiaries	**27,440,895**	25,025,265
Provision for Federal and foreign taxes on income	**19,914,463**	20,967,405
Current portion of long-term debt, less amount provided for payment ($2,450,000 in 1970 and $6,467,000 in 1969)	**1,115,000**	30,708,000
Total current liabilities	**$ 241,027,241**	$249,307,853
Long-Term Debt (See note)	**$ 82,875,071**	$ 57,376,774
Other:		
Deferred taxes on income	**$ 14,415,740**	$ 14,194,479
Reserves for insurance, etc.	**6,227,918**	5,664,423
Minority interest in subsidiaries	**1,764,612**	2,022,056
	$ 22,408,270	$ 21,880,958
Contingent Liabilities (See note)		
Stockholders' Equity (See note):		
Preferred stock, $1.00 par value—authorized 10,000,000 shares; Issued—None	**$ —**	$ —
Common stock, $2.50 par value—authorized 60,000,000 shares; issued 29,368,227 shares at December 26, 1970 and 29,331,748 shares at December 27, 1969	**73,420,567**	73,329,370
Capital surplus	**48,179,430**	47,166,728
Retained earnings (at December 26, 1970, $130,000,000 restricted as to payment of dividends under indentures)	**620,842,595**	586,344,146
	$ 742,442,592	$706,840,244
Less—Treasury stock at cost—1,402,784 shares at December 26, 1970; 1,410,939 shares at December 27, 1969	**57,387,929**	57,721,586
Stockholders' Equity	**$ 685,054,663**	$649,118,658
	$1,031,365,245	$977,684,243

(See Notes to Consolidated Financial Statements, pages 15 and 16.)

Consolidated Statements of Income

	52 Weeks Ended December 26, 1970	52 Weeks Ended December 27, 1969
Income:		
Net sales	**$2,751,129,371**	$2,580,905,215
Other income	**9,613,980**	9,186,564
Total	**$2,760,743,351**	$2,590,091,779
Costs and expenses:		
Cost of products	**$2,103,405,060**	$1,970,676,147
Delivery, selling and administrative expense	**484,058,356**	455,423,943
Interest on long-term debt	**4,339,832**	3,721,971
Miscellaneous charges, net	**5,603,437**	3,923,317
Total	**$2,597,406,685**	$2,433,745,378
Income before Federal and foreign taxes	**$ 163,336,666**	$ 156,346,401
Provision for Federal and foreign taxes on income	**81,331,000**	80,721,000
Net income for the year	**$ 82,005,666**	$ 75,625,401
Earnings per common and common equivalent share	**$ 2.93**	$ 2.69
Earnings per common share assuming full conversion of the 7½ % Convertible Bearer Bonds issued as of September 1, 1970	**$ 2.92**	$ —

Consolidated Statements of Retained Earnings

	52 Weeks Ended December 26, 1970	52 Weeks Ended December 27, 1969
Balance at beginning of year	**$ 586,344,146**	$ 557,795,753
Net income for the year	**82,005,666**	75,625,401
	$ 668,349,812	$ 633,421,154
Dividends on common stock ($1.70 per share in 1970 and $1.675 in 1969)	**47,507,217**	47,077,008
Balance at end of year	**$ 620,842,595**	$ 586,344,146

(See Notes to Consolidated Financial Statements, pages 15 and 16.)

Consolidated Statements of Source and Application of Funds

	52 Weeks Ended December 26, 1970	52 Weeks Ended December 27, 1969
Source of Funds:		
Funds derived from operations—		
Net income for the year	**$ 82,005,666**	$ 75,625,401
Non-cash charge—Depreciation	**42,028,913**	42,305,221
	$ 124,034,579	$ 117,930,622
Increase (decrease) in long-term debt, net	**25,498,297**	(30,351,040)
Sale of common stock under options	**1,202,049**	1,188,015
	$ 150,734,925	$ 88,767,597
Application of Funds:		
Dividends paid on common stock	**$ 47,507,217**	$ 47,077,008
Property, plant and equipment additions, net	**71,166,809**	55,513,168
Treasury stock (issued) acquired, net	**(333,657)**	19,315,140
Other (sources) applications, net	**(174,535)**	663,709
	$ 118,165,834	$ 122,569,025
Increase (Decrease) in Working Capital	**$ 32,569,091**	$ (33,801,428)

Notes To Consolidated Financial Statements . . . December 26, 1970

Depreciation

Depreciation charges are generally computed on a straight-line basis over estimated useful lives of buildings and estimated composite group lives of machinery and equipment.

Intangibles

Intangibles represent the excess of the purchase prices paid over the net book values of the tangible assets of certain businesses acquired in transactions initiated prior to November 1, 1970. The Company does not now intend to amortize items carried in this account.

Contingent Liabilities

Substantial amounts are involved in various legal proceedings in which the Company is a defendant. It is not feasible to predict or determine the outcome of these proceedings or the ultimate liabilities, if any, which might result, but it is believed that the outcome would not materially affect the Company's consolidated financial position or operations.

Employees' Stock Options

At December 26, 1970, 1,614 employees (including officers) held options to purchase an aggregate of 741,382 shares of the Company's common stock at prices ranging from $30.25 to $41.65 per share. At that date, options for 390,549 shares were exercisable and options for 336,575 shares were available for future grants. During the year, options were granted to purchase 166,950 shares of common stock at $33.50 per share and 5,000 shares at $38.90 per share. Options to purchase 38,501 shares were exercised at prices ranging from $30.25 to $41.65 per share.

Company Pension Plans

The Company and its subsidiaries have several pension plans. It is the Company's general policy to provide and fund current service costs and interest on unfunded past service costs annually. At January 1, 1970, employees' vested benefits under these plans were fully funded. The Company also contributes to joint industry and union plans. Substantially all employees are covered under one or more of the above plans. Total pension costs approximated $16,450,000 in 1970 and $15,550,000 in 1969.

Long-Term Debt

All of the issues of debentures and debenture stock, other than the 7½ % Convertible Bearer Bonds, have sinking fund or prepayment requirements. The amounts shown below as outstanding at December 26, 1970, exclude maturities and sinking fund requirements included in current liabilities, and $5,392,000 of debentures held in treasury in excess of current sinking fund requirements.

Kraftco Corporaton	**December 26, 1970**	December 27, 1969
3⅛ % Debentures due 1976	**$14,944,000**	$14,944,000
4⅜ % Debentures due 1992	**30,214,000**	30,214,000
Renewable Bank Notes (Belgium)	—	686,703
Bank Loans due 1973/74 (Eurodollars)	**3,987,071**	3,987,071
Kraftco International Capital Corporation		
7½ % Convertible Bearer Bonds due 1985 (Deutsche Marks) ...	**27,300,000**	—
English Subsidiary		
Debenture Stock due 1975	**5,280,000**	5,520,000
Bank Loans due 1971/72	**600,000**	1,200,000
Venezuelan Subsidiary		
Bank Loan due 1971-73	**550,000**	825,000
	$82,875,071	$57,376,774

The 7½ % Convertible Bearer Bonds of Kraftco International Capital Corporation are convertible into 649,350 shares of common stock of Kraftco Corporation, commencing May 1, 1971.

	Number of Shares		**Amount**		
Capital Transactions	**Common Stock**	**Treasury Stock**	**Common Stock**	**Treasury Stock**	**Capital Surplus**
December 27, 1969	29,331,748	1,410,939	$73,329,370	$57,721,586	$47,166,728
Purchased	—	—	—	—	—
Used for—					
Management Incentive Compensation Plan	—	6,133	—	250,901	(15,394)
Stock options exercised	36,479	2,022	91,197	82,756	1,028,096
December 26, 1970	29,368,227	1,402,784	$73,420,567	$57,387,929	$48,179,430

International Subsidiaries Other Than Canadian

Statements of Income

	52 Weeks Ended December 26, 1970	52 Weeks Ended December 27, 1969
Income:		
Net sales	**$320,347,580**	$273,625,289
Other income	**1,230,237**	1,041,567
Total	**$321,577,817**	$274,666,856
Costs and expenses:		
Cost of products	**$248,607,896**	$212,424,429
Delivery, selling and administrative expense	**57,710,041**	47,442,724
Interest on long-term debt	**629,080**	545,120
Total	**$306,947,017**	$260,412,273
Income before taxes	**$ 14,630,800**	$ 14,254,583
Provision for taxes on income	**7,891,420**	6,477,121
Net income for the year	**$ 6,739,380**	$ 7,777,462

Statements of Financial Position

	December 26, 1970	December 27, 1969
Cash and temporary investments	**$ 7,975,236**	$ 7,295,963
Notes and accounts receivable	**32,121,955**	26,274,161
Inventories	**58,419,653**	51,019,638
Total current assets	**$ 98,516,844**	$ 84,589,762
Current liabilities	**64,083,502**	53,874,549
Working capital	**$ 34,433,342**	$ 30,715,213
Property, plant and equipment, less accumulated depreciation	**50,646,011**	48,563,991
Other assets	**2,249,497**	2,171,458
	$ 87,328,850	$ 81,450,662
Less—Long-term debt, reserves and minority interest	**9,856,877**	11,251,113
Net tangible assets	**$ 77,471,973**	$ 70,199,549

The above accounts are included in the Consolidated Financial Statements.

Ten Year Summary

(Dollar amounts in thousands, except per share figures)

	1970	1969	1968
Income and Dividends:			
Net sales	**$2,751,129**	$2,580,905	$2,428,106
Income before Federal and foreign taxes on income	**163,337**	156,346	151,576
Net income after taxes	**82,006**	75,625	76,162
Dividends	**47,507**	47,077	44,886
Per share of common stock:			
Net income after taxes	**$2.93***	$2.69	$2.67
Dividends	**$1.70**	$1.675	$1.575
Financial Position:			
Cash and temporary investments	**$ 51,653**	$ 55,511	$ 92,913
Notes and accounts receivable, net	**184,773**	178,573	159,044
Inventories	**363,030**	341,083	310,453
Total current assets	**599,456**	575,167	562,410
Total current liabilities	**241,027**	249,308	202,750
Working capital	**358,429**	325,859	359,660
Property, plant and equipment, net	**389,037**	359,899	346,691
Total assets	**1,031,365**	977,684	948,145
Long-term debt	**82,875**	57,377	87,728
Stockholders' equity	**685,055**	649,119	638,697
Per share of common stock	**$24.50**	$23.25	$22.41
Statistical Information:			
Capital expenditures	**$ 75,526**	$ 56,511	$ 45,799
Depreciation charged during the year	**42,029**	42,305	41,206
Total taxes—income, property and other	**118,438**	114,096	105,876
Per share of common stock	**$4.23**	$4.06	$3.71
Interest on long-term debt	**4,340**	3,722	3,590
Payroll	**368,038**	346,973	323,257
Average number of employees	**48,179**	48,160	47,007
Number of stockholders at year end	**71,538**	71,584	71,702
Number of shares of common stock outstanding at year end (in thousands)	**27,965**	27,921	28,339

Per share figures for all years prior to 1966 have been adjusted for the two-for-one stock split in 1966.

*2.92 in 1970, assuming full conversion of the 7½% Convertible Bearer Bonds.

Kraftco Corporation . . . and Subsidiaries

1967	1966	1965	1964	1963	1962	1961
$2,318,587	$2,251,725	$2,017,280	$1,919,945	$1,838,971	$1,820,538	$1,790,834
140,950	135,476	129,057	123,951	110,444	104,478	101,526
76,120	73,461	69,902	63,784	54,018	51,303	50,211
41,641	40,413	37,664	34,729	31,703	29,411	28,536
$2.65	$2.55	$2.41	$2.20	$1.87	$1.78	$1.75
$1.45	$1.40	$1.30	$1.20	$1.10	$1.02	$1.00
$ 84,701	$ 69,466	$ 117,082	$ 113,846	$ 93,341	$ 89,551	$ 27,747
140,469	134,830	121,815	112,070	105,340	97,155	95,180
310,831	310,832	250,928	241,754	244,738	238,713	262,197
536,001	515,128	489,825	467,670	443,419	425,419	385,124
190,449	189,524	180,824	171,055	161,021	156,883	170,667
345,552	325,604	309,001	296,615	282,398	268,536	214,457
343,650	334,347	330,866	332,136	329,440	326,603	317,799
915,344	884,518	852,652	824,629	796,721	774,267	726,173
85,145	87,732	89,322	95,638	109,071	116,599	81,808
622,280	592,680	566,239	538,638	507,107	482,467	458,455
$21.66	$20.58	$19.56	$18.58	$17.56	$16.78	$16.02
$ 51,600	$ 42,481	$ 37,767	$ 45,450	$ 42,667	$ 49,235	$ 51,327
39,980	38,481	38,222	37,897	36,955	35,946	34,378
92,425	89,072	82,636	83,299	79,798	75,542	72,087
$3.21	$3.09	$2.85	$2.87	$2.76	$2.63	$2.52
3,485	3,552	3,483	3,759	4,129	3,711	2,598
309,905	301,407	280,983	274,546	271,908	273,263	272,159
47,060	46,525	45,157	45,172	46,432	47,596	48,822
72,352	71,240	68,762	69,073	68,682	69,727	69,993
28,672	28,801	28,936	28,988	28,870	28,740	28,605

Board of Directors and Officers

Directors

William O. Beers
President and Chief Operating Officer

Richard C. Bond
President, Board of Trustees
John Wanamaker Philadelphia, Inc.
Philadelphia

Henry W. Breyer, Jr.
President, Breyer Corporation, Investments
Philadelphia

John D. deButts
Vice Chairman of the Board,
American Telephone and
Telegraph Company
New York

Gordon Edwards
Chairman of the Board and
Chief Executive Officer

John R. Edwards
Vice President
President, Sealtest Foods Division
New York

Herbert Humphreys
Chairman, HumKo Products Division
Memphis

Barry T. Leithead
Chairman, Cluett, Peabody & Co., Inc.
New York

John F. McGillicuddy
President,
Manufacturers Hanover Corporation, and
Manufacturers Hanover Trust Company
New York

William E. Nuessle
Senior Vice President

John J. Powers, Jr.
Chairman of the Board and President,
Pfizer Inc.
New York

O. Everett Swain
Vice President
President, Kraft Foods Division
Chicago

Walter N. Thayer
President,
Whitney Communications Corporation,
and Partner,
Whitcom Investment Company
New York

O. P. Thomas
Chairman, Executive Committee,
Atlantic Richfield Company
New York

John L. Weinberg
Partner, Goldman, Sachs & Co.
New York

J. Huber Wetenhall
Former Chairman of the Board

Officers

Gordon Edwards
Chairman of the Board and
Chief Executive Officer

William O. Beers
President and Chief Operating Officer

William E. Nuessle
Senior Vice President

John R. Edwards
Vice President

Louis E. Lynch
Vice President

Bryant H. Prentice, Jr.
Vice President

John M. Richman
Vice President—General Counsel

O. Everett Swain
Vice President

Joseph L. Caliri
Secretary

Kenneth B. Fishpaw
Comptroller

William B. Jordan
Treasurer

Donald J. Martin
Director of Corporate Relations

John A. Mitchell
Director of Personnel Administration

Gerald M. Dippman
Assistant Secretary

Catharine Fournier
Assistant Secretary

Mary P. O'Brien
Assistant Secretary

Conrad G. Olson
Assistant Comptroller

John E. Quinn
Assistant Treasurer

Roger H. Willis
Assistant Comptroller

Operating Committee

William O. Beers, Chairman
John E. Bellinger
Sam Cooper
Gordon Edwards
John R. Edwards
Dr. Raymond H. Hartigan
Herbert F. Marston
Bryant H. Prentice, Jr.
O. Everett Swain

Executive Committee

Gordon Edwards, Chairman
William O. Beers
Henry W. Breyer, Jr.
John R. Edwards
Barry T. Leithead
O. Everett Swain
Walter N. Thayer
John L. Weinberg
J. Huber Wetenhall

Finance Committee

William O. Beers, Chairman
Richard C. Bond
Henry W. Breyer, Jr.
John D. deButts
Gordon Edwards
Walter N. Thayer
O. P. Thomas
John L. Weinberg
J. Huber Wetenhall

Counsel

Sullivan & Cromwell

Transfer Agents

Manufacturers Hanover Trust Company, New York
National Boulevard Bank of Chicago, Chicago
Bank of America N. T. and S. A., San Francisco
The Royal Trust Company, Montreal and Toronto
*Commonwealth Trading Bank of Australia, Melbourne

Registrars

The Chase Manhattan Bank, N. A., New York
Continental Illinois National Bank and Trust Company of Chicago, Chicago
Wells Fargo Bank, San Francisco
Montreal Trust Company, Montreal and Toronto
*The Wales Nominees (Vic.) Pty. Limited, Melbourne

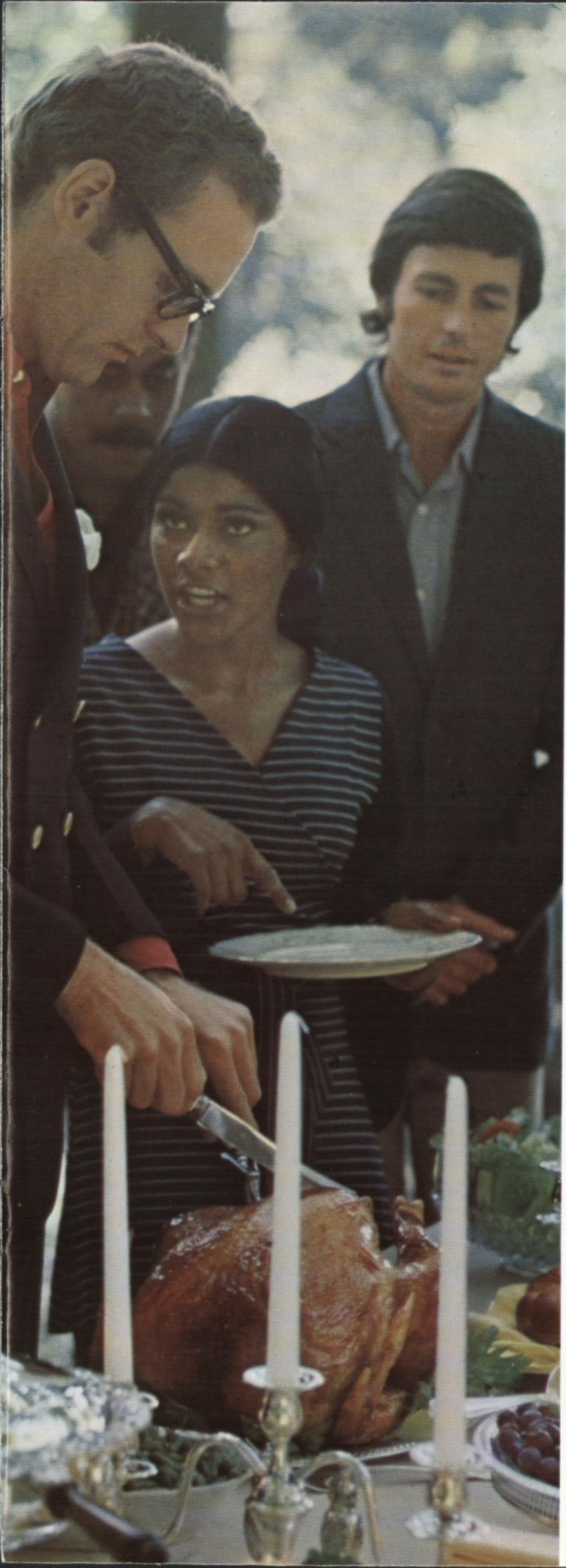
Stock Exchanges

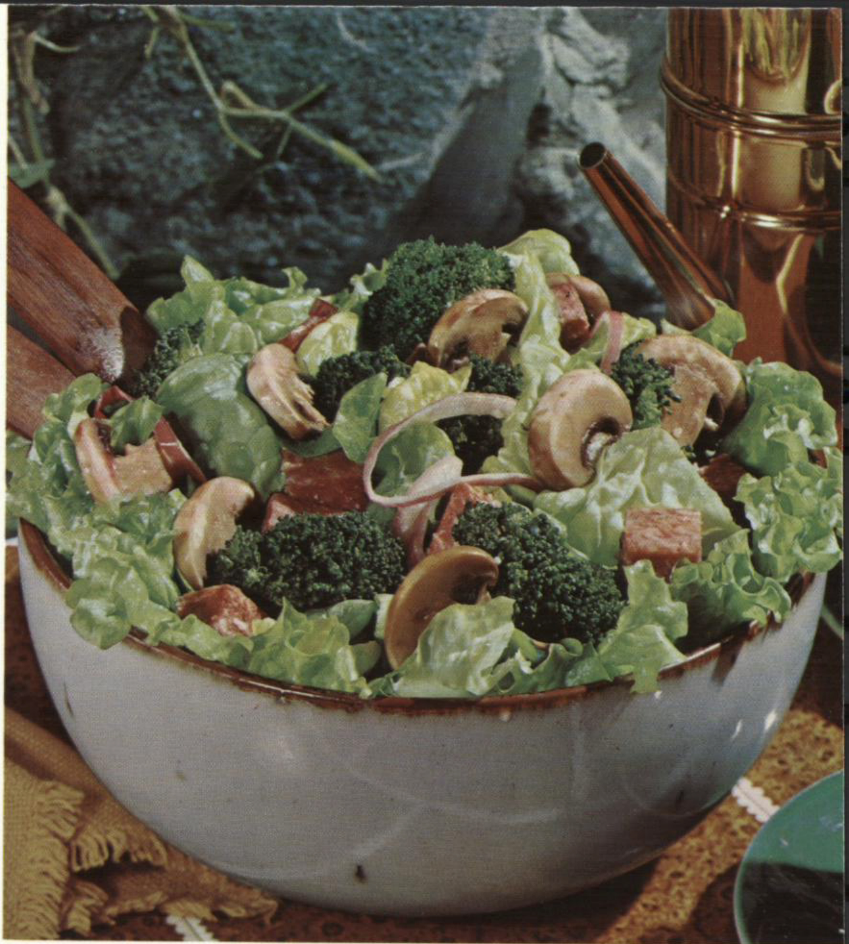
New York, Chicago, San Francisco, Montreal, Toronto, *Adelaide, *Melbourne, *Sydney, London, Brussels, Antwerp, Frankfurt/Main, Basle, Berne, Geneva, Lausanne, Zurich. U.S. Trading Symbol: KRA.

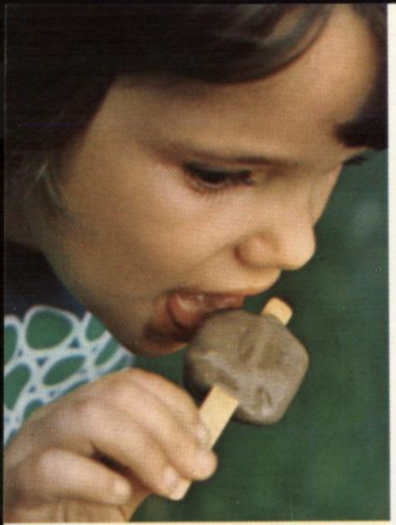
**For shares represented by Australian certificates only.*

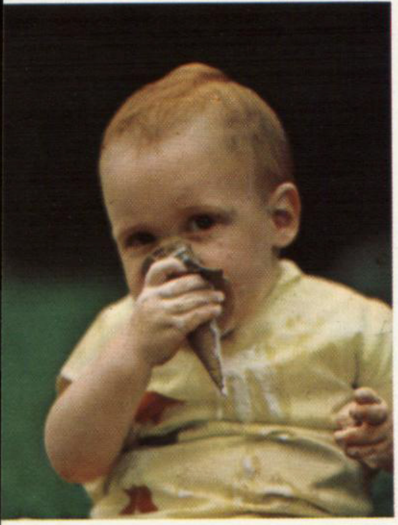
Auditors

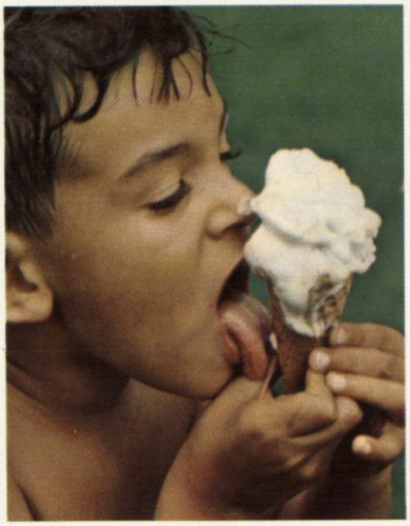
Arthur Andersen & Co.

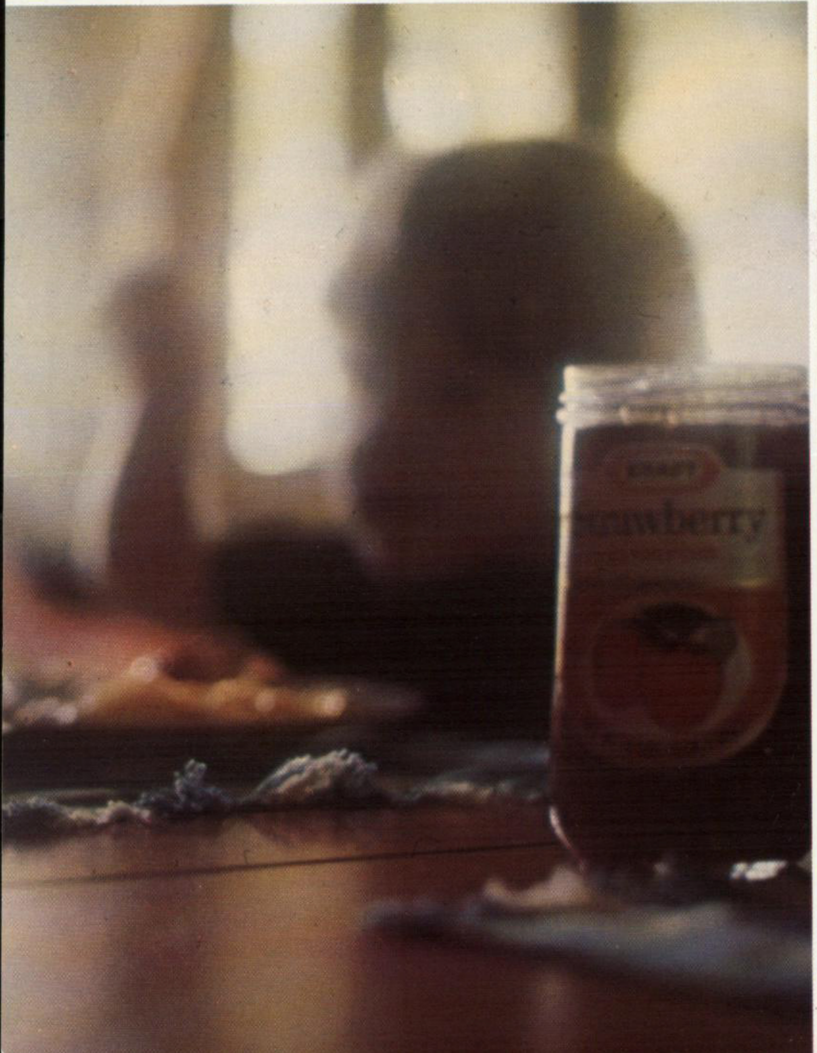


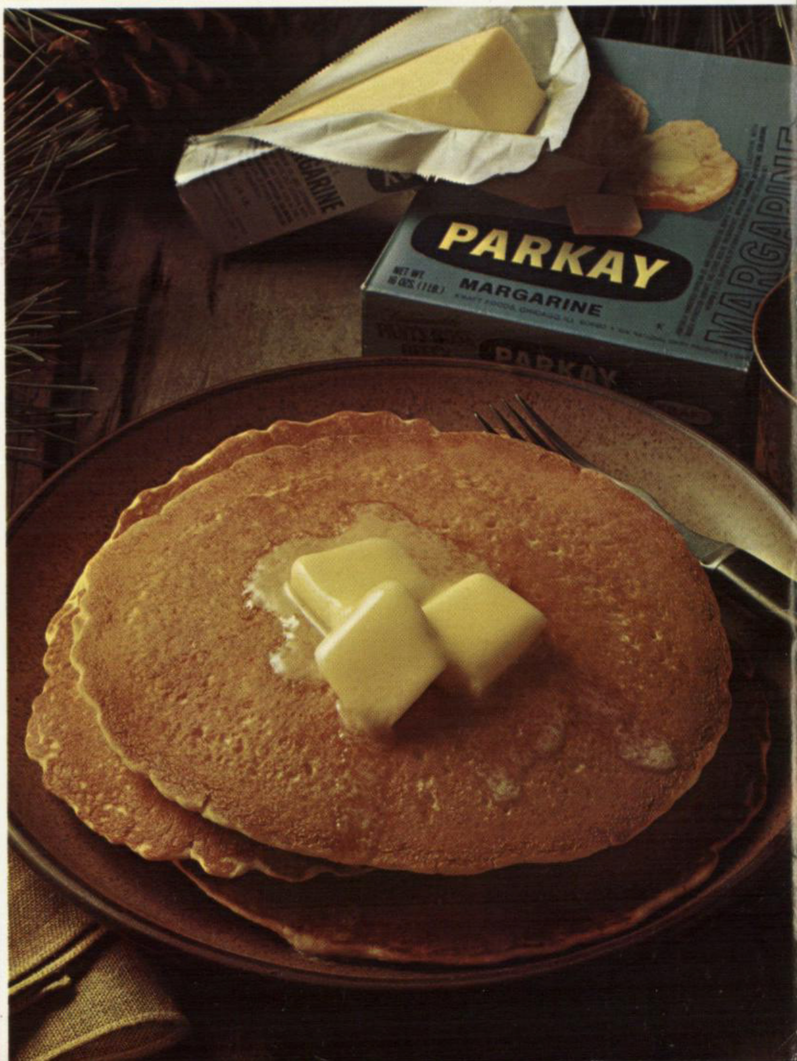









KRAFT
strawberry


PARKAY
MARGARINE
MARGARINE

Principal Divisions and Operations

United States Operations

Kraftco's operations in the United States are conducted by five Divisions:

Kraft Foods Division, as part of its worldwide operations, manufactures and distributes throughout the United States processed food products and manufactured dairy products, mostly in packaged form. These are marketed to consumers, to volume feeding institutions such as restaurants and schools, and to industrial customers such as bakeries and other food manufacturers. The Division markets its products principally under the trademark "Kraft". Among the many products it markets are "Velveeta" process cheese spread, "Parkay" margarine, "Miracle Whip" salad dressing, "Philadelphia" brand cream cheese and "Cracker Barrel" natural cheeses.

Sealtest Foods Division processes and distributes, chiefly east of the Mississippi River, fluid milk products, certain manufactured dairy products and ice cream and frozen desserts. It also sells fruit beverages, butter and other products. These are distributed principally through retail stores and institutions. Fluid milk and certain other products are also distributed directly to homes in some areas. The Division markets most of its products under the trademark "Sealtest". A line of low-fat milk, ice milk and dairy specialty products is marketed under the additional trademark "Light n' Lively", and ice cream is also sold under the "Breyers" trademark.

Breakstone Sugar Creek Foods Division manufactures and distributes certain manufactured dairy products, including cottage cheese, cream cheese, sour cream, yogurt and butter, primarily in the Eastern and Midwestern parts of the United States. The Division's principal trademark is "Breakstone".

Packaging and Industrial Division consists of HumKo Products, Metro Glass and Sheffield Chemical. HumKo refines and markets a variety of edible oils and shortenings which are distributed both for consumer use and for use by food processors. HumKo also produces and sells a line of high-quality fatty acids and chemicals which are used by many leading industries throughout the United States. It operates large modern refineries in Memphis, Tennessee; Champaign, Illinois, and Los Angeles, California.

Metro Glass makes containers for use in the food, beverage, drug, chemical, cosmetics, household products and other industries. Its plants are located near New York City, Pittsburgh, and Chicago.

Sheffield Chemical is a processor and distributor of food bases and pharmaceutical chemicals to industrial users throughout the United States.

Research and Development Division is responsible for conducting the Corporation's applied and fundamental research and coordinating its quality control activities. It performs research directed to the development of new and improved products, packaging and processes for the manufacturing and marketing divisions.

Canadian Operations

Kraft Foods Division supervises two Canadian subsidiaries: Kraft Foods Limited, which manufactures and distributes processed food products and manufactured dairy products under substantially the same trademarks used in the United States; and Vancouver Fancy Sausage Company, which manufactures and distributes specialty meat products. Sealtest Foods Division supervises another Canadian subsidiary, Dominion Dairies Limited, which produces and distributes fluid milk products, certain manufactured dairy products and ice cream and frozen desserts in Ontario and Quebec, principally under the trademark "Sealtest".

International Operations

Subsidiaries in Australia, Belgium, Britain, Denmark, Germany, Ireland, Italy, Mexico, Panama, Philippines, Spain, Sweden and Venezuela produce and distribute processed food products and manufactured dairy products under the "Kraft" trademark. These subsidiaries are supervised by the Kraft Foods Division. A company jointly owned by Kraftco and a Japanese food company has been formed to produce processed cheese products in Japan.

Kraftco Corporation
260 Madison Avenue, New York, N.Y. 10016

Kraft Foods Division
Sealtest Foods Division
Breakstone Sugar Creek Foods Division
Packaging and Industrial Division
Research and Development Division

Printed in U.S.A.